



Livestock and Seed Program Audit, Review, and Compliance Branch Quality System Audit Report

Applicant: Australian Certified Organic (ACO)
Program : National Organic Program/Accreditation for Organic Certification
Organizations – Initial On-site Audit
Location(s): Brisbane, Queensland, Australia
Audit Date(s): December 6 – 9, 2004
Audit File Number: NP4340DDA
Action Required: Yes
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AUDIT ACTIVITIES

On December 6 – 9, 2004, representatives of the USDA, AMS, LS Audit, Review, and Compliance (ARC) Branch and USDA, AMS, Transportation and Marketing, National Organic Program conducted an on-site audit of the Australian Certified Organic (ACO) Certification Program, located in Brisbane, Queensland, Australia. The purpose of the audit was to assess ACO's compliance to the USDA, AMS 7 CFR Part 205, National Organic Program (NOP). ACO export certification services are governed by the Australian Quarantine Inspection Services (AQIS) export standards, a Division of the Australian Government. ACO is also accredited by IFOAM, JAS, Quebec, and the EU 2092/91 Rule.

AQIS export standards require that organic food must be certified and inspected to the AQIS standard for one year before it can be exported even with the NOP three year rule applied with the ban of prohibited substances. The AQIS standard also requires the testing of soil and plant testing at the beginning and end of this one year period to determine if the test results show less than 10% of the allowed and prohibited substances according to AQIS standard. AQIS export standards also require the use of the client's certification number on the packaged material but the logo of the certifying agent is not required on the goods. The Australian Government also requires the crop and livestock operations to control certain pests such as grasshoppers and wild dogs or wild pigs with fungicides or poisons respectively. The poison used on the wild dogs or pigs is a product called "1080" which is put into a meat block and left in the pastures for the animals to consume. The risk of cattle consuming this product is almost non-existent.

The audit included observations and interviews of ACO's certification and inspection activities at the Rocky Point Sugar Mill in Woongoolba, Queensland, Australia; and a limited review of crops and machinery used at the Rocky Point sugar cane crop producer in Woongoolba, Queensland, Australia. The scheduled Braemar Investments cattle operation in Coolabri, Queensland, Australia, was cancelled due to airline equipment failure in which the auditors could not reach the livestock operation.

The inspection of Rocky Point Sugar Mills was a renewal of the NOP certification and was conducted by ACO contracted inspector Tony Walker. The sugar mill processed approximately 26,000 tons of NOP organic sugar cane and manufactured 1,026 tons of approved NOP organic sugar. It requires approximately eight tons of sugar cane to make one ton of sugar. The remainder of the sugar was distributed as conventional sugar.

Biological Farmers of Australia (BFA) created the Australian Certified Organics company in order to be in compliance to the NOP rule for conflicts of interest. BFA still conducts management reviews of ACO and the managing director of ACO directly reports to the Board of BFA. None of the Board of BFA or staff of ACO is currently certified to the NOP rule. BFA and ACO physically moved the offices from Toowoomba Australia to the current Brisbane location in January 2004. With that move, ACO maintained its staff of contracted inspectors, and uses experienced contracted inspectors to review the Organic System Plan (OSP) and inspection report to make the final decision for certification. The managing director and technical experts of the ACO office staff were hired within the past nine months.

FINDINGS

Records reviewed, interviews conducted and observations found that ACO was not operating under the guidelines of the NOP as noted in these findings. Six (6) major non-conformances and eight (8) minor non-conformances were identified during the audit. There were no outstanding non-conformances from the accreditation audit to review.

Non-conformances:

NP4340DDA.NC1 Major – 205.404(a) Within a reasonable time after completion of the initial on-site inspection, a certifying agent must review the on-site inspection report, the results of any analyses for substances conducted ... the certifying agent shall grant certification. *ACO certified the Berndt crop facility without conducting an on-site inspection. ACO had only received the organic system plan and had reviewed the plan. ACO had delayed the on-site inspection until crops were in production, however ACO issued a NOP certificate to the client before the inspection based on a past Berndt onsite inspection to Biological Farmers of Australia Standards.*

NP4340DDA.NC2 Major – 205.236(a) Livestock products that are to be sold, labeled, or represented as organic must be from livestock under continuous organic management from the last third of gestation... *One livestock client, Glenbye, had purchased and brought in 464 cattle and 463 lambs as feeder animals to the Glenbye property. ACO failed during the review of the organic system plan or the on-site inspection to determine if the animals were purchased from an NOP organic livestock operation. ACO granted certification to the Glenbye livestock operation for livestock and did not require any determination of the origin of the animals.*

NP4340DDA.NC3 Major – 205.404(a) Within a reasonable time after completion of the initial on-site inspection, a certifying agent must review the on-site inspection report, the results of any analyses for substances conducted ... the certifying agent shall grant certification. *A review of the Weewondilla livestock operation found that non-certified NOP animals were commingled with NOP Certified animals. Further review found that the client purchased supplements that were not NOP certified. The supplement was fed to the non-certified animals. ACO's review of the OSP and the inspector's checklist/report failed to verify that records kept by the client identified non-certified animals. ACO granted certification to the client without any conditions for the animals or records to be kept.*

NP4340DDA.NC4 Major – 205.404(a) Within a reasonable time after completion of the initial on-site inspection, a certifying agent must review the on-site inspection report, the results of any analyses for substances conducted ... the certifying agent shall grant certification. *The Mount Macquarie Pastoral livestock operation was granted NOP certification on April 2, 2004 for cattle. On August 18, 2004 the livestock operation was issued an updated NOP Certificate for cattle, goats, and sheep. A review of the clients OSP and inspector's checklist did not reveal any indication of goats and sheep. Therefore the*

client was given additional certification without the other species being reviewed for compliance to the NOP Rule.

NP4340DDA.NC5 Major – 205.236(b)(1) the following are prohibited, Livestock that are removed from an organic operation and subsequently managed as non-organic may not be sold ... as organic. *The Mount Macquarie Pastoral livestock operation had 1000 cows and 400 calves that had been moved to a non-organic operation and subsequently brought back to the clients operation. The inspector had made note of this movement and the review committee also noted the movement. ACO granted certification to the client without conditions for the animals that were removed from the operation. There was no evidence of the traceability of the non-conforming cows and calves or the time-period of the gestating cows to determine if the offspring were in the last third of gestation.*

NP4340DDA.NC6 Major – 205.201(a) the producer or handler of a production or handling operation ...must develop an OSP that is agreed to by the producer or handler and the certifying agent. An OSP must meet the requirements set forth in this section for organic production or handling ... *The OSP's reviewed for crops, livestock, and handler/processor systematically showed that the OSP's did not give detailed information to show compliance with the NOP Rule. The OSP's are not being reviewed by ACO to show compliance because the reviewers are using an ACO Organic Management Plan (OMP) developed by ACO to show compliance. The ACO OMP is not in total compliance with the requirements of the NOP Rule. One client was certified as NOP compliant with just an inspection performed before an OSP was developed by the client. The client had requested NOP certification during the normal ACO review and inspection. During the on-site inspection of the Rocky Point Sugar it was found that the OSP did not list all inputs used such as boiler additive Hydroxyethylldene and product profiles for the sugar, molasses or alcohol were not filled it. One substance used as a cleaning solution (hydrochloric acid) is not on the NOP approved list and was not listed on the OSP. One substance used as a processing aid for the sugar as the flocculent (Anionic Poly-acrylamide) is also not on the NOP approved list as a processing aid. An interview with the manager of Rocky Point Sugar revealed that the client was not aware of the NOP requirements and was using the facilities Quality Manual as the bases for information.*

NP4340DDA.NC7 Minor – 205.303(a)(4) Agricultural Products in packages described in 205.301(a) and (b) may display on the principal display panel or information panel, and any other panel of the package and on any labeling or market information concerning the product, the following ... The USDA Seal. *ACO's license agreement with clients requires that the client use the NOP USDA seal on the package when in fact it is an option to use the USDA Seal.*

NP4340DDA.NC8 Minor – 205.303(b)(2) Agricultural products in packages described in 205.301 (a) and (b) must ...On the information panel, below the information identifying the handler or distributor of the product, and preceded by the statement "Certified organic by" or similar phrase, identify the name of the certifying agent. *ACO has approved labels that do not have the statement "Certified organic by" or similar phrase on the label.*

NP4340DDA.NC9 Minor – 205.501(a)(8) Certifying agent must ...provide adequate information to persons seeking certification to enable the client to comply with the NOP Rule. *ACO is giving clients a checklist and OSP to fill out. ACO has links to the NOP on their website, however not all clients have internet access and do not receive the NOP Rule in order to comply.*

NP4340DDA.NC10 Minor - 205.662(f) A certified operation who's certification has been suspended under this section may at any time ...submit a request to the Secretary for reinstatement of its

certification. *ACO procedures do not provide for suspended operations to apply to the Secretary for reinstatement. ACO reinstates clients as a procedure. This procedure is not in accordance with the Rule.*

NP4340DDA.NC11 Minor – 205.662(e)(1&2) If a certified operation fails to correct the non-compliance, to resolve the issue through rebuttal or mediation, or to file an appeal of the proposed suspension or revocation of certification, the certifying agent shall send the certified operation a written notification of suspension or revocation. A certifying agent must not send a notification of suspension or revocation to a certified operation that has requested mediation ... or filed an appeal...while final resolution of either is pending. *ACO procedures do not follow required procedures outlined in the NOP Rule.*

NP4340DDA.NC12 Minor – 205.510(a) the annual update requires annual submission of performance evaluations. *ACO provided an AQIS review and not performance evaluations. ACO does an ongoing performance evaluation of inspectors but this review is not combined into an annual evaluation and these have not been submitted as part of the annual update.*

NP4340DDA.NC13 Minor – 205.510(a)(1) An accredited agent must submit ...a complete and accurate update of information submitted pursuant to 205.503 and 205.504. *ACO had not submitted the most recent Quality Manual dated January 2004.*

NP4340DDA.NC 14 Minor – 205.501(a)(18) The certifying agent will provide the inspector prior to each onsite inspection with previous on-site inspection report... *Until two (2) weeks ago ACO was not supplying inspectors with previous inspection reports.*

RECOMMENDATIONS:

The audit team recommends that ACO accreditation for livestock be suspended due to the severity of the non-conformances revealed during the on-site audit. The audit team also recommends that ACO review all NOP client files in order to ascertain if products are in compliance to the NOP Rule and that ACO provide an analysis of that review. The team recommends that corrective actions along with supporting documentation be submitted for review as directed by the NOP. It is further recommend that another on-site audit be performed to verify implementation of corrective action at the expense of ACO.